

Message Text

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70

ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 EB-03 NSC-07 NSCE-00 NEA-06 IO-03

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7595

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE EC BRUSSELS 7836

LIMDIS

E. O. 11652: NA/A

TAGS: ETRD, EC, IR

SUBJECT: EC ARRANGEMENT WITH IRAN

REF.: A. STATE 218673 B. EC BRUSSELS 7251

1. SUMMARY: RECENT MISSION CONTACTS HAVE PROVIDED
ADDITIONAL BACKGROUND ON THE SUBJECT OF EC-IRAN RELA-
TIONS. WHILE THE PROPOSED FRG-IRAN OIL PROPOSAL HAS
ENCOUNTERED CONSIDERABLE COMMISSION AND MEMBER STATE
OPPOSITION, THE DANES ARE NOW PRESSING FOR AN
EC/IRANIAN FREE TRADE AREA AGREEMENT. OUR SOURCES
SUGGEST THAT THE US DISCUSS THE ISSUE AGAIN AT
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LEAST WITH THE DANES AND THE IRANIANS. END

SUMMARY.

2. WE HAVE DISCUSSED WITH A NUMBER OF COMMISSION AND PERM DEL SOURCES THE STATUS OF EC CONSIDERATION OF AN EC/IRANIAN AGREEMENT.

3. THEY TELL US THAT THE GERMANS HAVE NOT PUSHED SINCE JUNE IN FAVOR OF THEIR PROPOSAL TO ALLOW PREFERENTIAL DUTY ARRANGEMENTS FOR THE IMPORTS INTO THE EC OF IRANIAN PETROLEUM PRODUCTS. THEY HAVE HAD AT LEAST TWO OPPORTUNITIES TO DO SO IN MEETINGS OF THE COMMITTEE OF PERMANENT REPRESENTATIVES, INCLUDING ONE ON OCTOBER 4, BUT THEY HAVE NOT TAKEN ADVANTAGE OF THE CHANCE. HOWEVER, OUR SOURCES EXPECT THEM TO RETURN TO THE BATTLE.

4. THE RECENT DISCUSSIONS IN THE COREPER HAVE BEEN INITIATED BY THE DANES WHO, WE UNDERSTAND, HAVE NEGOTIATED A BILATERAL ECONOMIC COOPERATION AGREEMENT WITH IRAN. THE DANES, DESIRING TO OBTAIN AN EC COVER FOR THIS AGREEMENT, HAVE PROPOSED THAT THE COMMUNITY CONSIDER A FREE TRADE AGREEMENT WITH IRAN WHICH WOULD AMOUNT TO ONE-WAY CONTRACTUAL SPECIAL PREFERENCES.

5. ACCORDING TO OUR SOURCES, THE OTHER MEMBER STATES CURRENTLY OPPOSE BOTH THE GERMAN PROPOSAL AND THE DANISH PROPOSAL.

6. ACCORDING TO A UK PERMDEL SOURCE, THE PRACTICAL EFFECT OF ALL THIS IS RELATIVELY SMALL. HE SAYS THAT ALL IMPORTANT IRANIAN EXPORTS, INCLUDING PETROLEUM PRODUCTS, COME INTO THE COMMUNITY FREE OF DUTY UNDER INDEFINITE DUTY SUSPENSIONS OR GENERALIZED TARIFF PREFERENCE SCHEME. HOWEVER, THE GSP IS NOT CONTRACTUAL AND THE IRANIANS ARE PUSHING FOR AN AGREEMENT WHICH WOULD GIVE THEM A LEGAL "CLAIM", PRIMARILY FOR PRESTIGE REASONS. WE HAVE TOLD THE COMMISSION AND OUR CONTACTS IN THE PERMANENT DELEGATIONS THAT THE ISSUE OF SPECIAL PREFERENCES FOR IRAN EITHER AS A ONE-WAY FREE TRADE LIMITED OFFICIAL USE

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AGREEMENT OR AS A SPECIAL ARRANGEMENT OF THE GERMAN SORT WOULD, PARTICULARLY IN VIEW OF THE CURRENT CONCERN OVER PETROLEUM, CAUSE GREAT CONCERN IN WASHINGTON AND COULD UNDOUBTEDLY LEAD TO SERIOUS PROBLEMS BETWEEN THE US AND THE EC. OUR SOURCES UNDERSTAND THIS POINT BUT SAY THAT THE MEMBER STATES ARE LIKELY TO RECEIVE FURTHER DIRECT PRESSURE FROM IRAN TO WHICH THEY MAY BE INCLINED TO RESPOND. OUR SOURCES

RECOMMEND THAT TO MAKE SURE THAT THE SITUATION
DOES NOT GET OUT OF HAND THE UNITED STATES BE
PREPARED TO TAKE THIS ISSUE UP IN TEHRAN AND THAT
THE SECRETARY TAKE ADVANTAGE OF CONVERSATIONS HE
MIGHT HAVE WITH MEMBER STATES' LEADERS TO WARN
THEM OF THE DANGERS INVOLVED IN A PREFERENTIAL TRADE AGREEMENT
WITH IRAN. IN ANY CASE, THEY RECOMMEND THAT WE INFORM THE DANES
NOW OF THE PROBLEMS WHICH THEY WILL ENCOUNTER IF
THEY PERSIST IN THEIR EFFORTS. GREENWALD

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